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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

In the matter of:

AGRA-TECHNOLOGIES, INC. (a/k/a ATI),
a Nevada corporation,
5800 North Dodge Avenue, Bldg. A
Flagstaff, Arizona 86004-2963;

WILLIAM JAY PIERSON (a/k/a BILL
PIERSON),
and SANDRA LEE PIERSON (a/k/a SANDY
PIERSON),
husband and wife,
6710 Lynx Lane
Flagstaff, Arizona 86004-1404;

RICHARD ALLEN CAMPBELL (a/k/a DICK
CAMPBELL),
and SONDR A JANE CAMPBELL,
husband and wife,
8686 West Morten Avenue
Glendale, Arizona 85305-3940;

WILLIAM H. BAKER, JR. (a/k/a BILL
BAKER), and PATRICIA M. BAKER,
husband and wife,
3027 N. Alta Vista
Flagstaff, Arizona 86004;

JERRY JOHNSTON HODGES,
1858 Gunlock Court
Saint George, Utah 84790-6705;

LAWRENCE KEVIN PAILLE (a/k/a LARRY
PAILLE),
220 Pinon Woods Drive
Sedona, Arizona 86351-6902;

Respondents.

DOCKET NO. S-20484A-06-0669

DECISION NO. 69899

**ORDER TO CEASE AND DESIST;
ORDER OF RESTITUTION;
ORDER FOR ADMINISTRATIVE
PENALTIES;
ORDER OF OTHER AFFIRMATIVE
ACTION; AND CONSENT TO SAME BY:**

(1) JERRY JOHNSTON HODGES

-AND-

(2) LAWRENCE KEVIN PAILLE

Arizona Corporation Commission

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1 Respondents JERRY JOHNSTON HODGES, a single man (hereafter, "HODGES"), and
2 LAWRENCE KEVIN PAILLE (a/k/a LARRY PAILLE), a single man (hereafter, "PAILLE")
3 elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the
4 Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To
5 Cease And Desist ("Order"). HODGES and PAILLE admit the jurisdiction of the Arizona
6 Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and
7 Conclusions of Law contained in this Order; and consent to the entry of this Order by the
8 Commission for the purposes of this proceeding and any other administrative proceedings before
9 the Commission.

10 I.

11 FINDINGS OF FACT

12 1. AGRA-TECHNOLOGIES, INC. (a/k/a ATI) ("AGRA") is a Nevada corporation that
13 registered to do business as a foreign corporation in Arizona on May 21, 1999. AGRA's place of
14 business is 5800 N. Dodge Ave., Bldg. A., Flagstaff, Arizona 86004. Securities issued by AGRA are
15 not registered to be offered or sold within or from Arizona.

16 2. HODGES is an individual whose residence is 1858 Gunlock Court, Saint George,
17 Utah 84790-6705. From at least July 2005 to the present, HODGES has conducted business as
18 AGRA's authorized general agent and securities salesperson.

19 3. PAILLE is an individual whose residence is 220 Pinon Woods Drive, Sedona,
20 Arizona 86351-6902. From at least July 2005 to the present, PAILLE has conducted business as
21 AGRA's authorized general agent and securities salesperson.

22 4. HODGES, PAILLE and AGRA may be referred to hereafter individually or,
23 collectively, as "RESPONDENTS" as the context requires.

24 A. **RESPONDENTS' PURPORTED ARIZONA-BASED PRECIOUS METAL**
25 **RECOVERY BUSINESS.**

26 5. From July 2005 to the present, RESPONDENTS represented to offerees and

1 investors that AGRA's business operations are based on precious metal recovery and production.
2 RESPONDENTS represent that AGRA owns 5 million tons of Sheep Hill volcanic cinders near
3 Flagstaff, Arizona. RESPONDENTS represented that AGRA's precious metal processing facility
4 is located at 66 Leupp Road, Flagstaff, Arizona 86004 (the "AGRA Plant").

5 6. Beginning on or about July 2005 to July 2006, RESPONDENTS represented to
6 offerees and investors that AGRA had acquired a non-traditional, "special" nanotechnology called
7 the Galleon process that enabled them to extract extremely rare and valuable platinum group metals
8 from the Sheep Hill volcanic cinders on a cost effective basis.

9 7. According to RESPONDENTS, the Galleon process involved the use of
10 hydrochloric acid, and "in-quart" platinum whereby AGRA placed rented or purchased platinum
11 into a batch of Galleon processed volcanic cinders in an attempt to extract any platinum that may
12 naturally occur in the cinders. By way of limited example, RESPONDENTS routinely represented
13 to offerees and investors through standard form solicitation materials that:

14 The company [AGRA] has studied several processes purported to be capable of
15 recovering the precious metals identified in its [volcanic cinder] resources, but only
16 in this past year as the process developed with Galleon Technology and
17 Development Corp. **proven to be both economically feasible** and agriculturally
18 compatible...Agra Tech is acquiring the technology preliminarily proven capable of
19 efficiently extracting the platinum group metals present and identified in its
20 complex mineral reserves. **The company will** work with Galleon to finitely
21 develop the environmentally friendly recovery processes, and **implement a**
22 **commercially viable process** for the mineral resources. (Emphasis added)

23 8. RESPONDENTS consistently represented to offerees and investors since July 2005
24 to the present that the Sheep Hill volcanic cinders contain rare and valuable precious metals such as
25 platinum, gold, silver, and other platinum group metals in marketable quantities sufficient to justify
26 their extraction using their purported precious metal recovery technologies and expertise on a: (1)
commercially viable; (2) commercially feasible; (3) economically viable; (4) economically feasible;
and (5) cost effective basis (collectively, "cost effective basis").

9. From at least July 2005 to October 2006, RESPONDENTS represented to offerees

1 and investors via standard form investor solicitation materials that they would see the productive
2 benefit of AGRA's precious metal generation in the early years. In these investor solicitation
3 materials, RESPONDENTS represented that AGRA expected to be capable of producing
4 approximately 116,800 ounces of platinum at the AGRA Plant during its first year of operation
5 and, based on production estimates, they expected to generate in excess of \$58,000,000 in revenue
6 during its first year of operation.

7 10. From at least July 2005 to October 2006, RESPONDENTS stated in investor
8 solicitation materials that based on AGRA's purported precious metal recovery technologies and
9 expertise, AGRA expected to have revenues of \$232,000,000 by its fifth year of operation, with
10 subsequent gross annual profits of \$100,000,000.

11 11. Thus, according to RESPONDENTS' representations and unprecedented precious
12 metal production projections, AGRA's purported Flagstaff-based platinum mining operation is
13 tantamount to one of the most valuable platinum mining operation in North America. The
14 unregistered securities discussed below were purchased by investors based on RESPONDENTS'
15 misrepresentations that they could obtain marketable quantities of precious metals from the Sheep
16 Hill volcanic cinders on a cost effective basis.

17 **B. THE UNREGISTERED ORE RIGHTS & MINING AGREEMENT SECURITIES.**

18 12. From at least July 2005 to October 2006, RESPONDENTS offered and sold
19 unregistered securities in the form of investment contracts issued by AGRA called Ore Rights &
20 Mining Agreements (the "Units") within and from Arizona.

21 13. Under the Unit solicitation materials, an AGRA investor could invest \$10,000 to
22 purchase a single Unit. According to RESPONDENTS, each Unit represented the right to the
23 purported precious metal contained in "50 tons of platinum bearing ore for processing."

24 14. Pursuant to mining industry customs and standards, "ore" possesses an economic
25 meaning. An *ore* is a rock or mineral that can be mined, transported, processed and sold *at a profit*
26 under current technological and economic conditions, including overhead costs such as the

1 construction and development of a physical plant, ore extraction and transportation, labor,
2 investment sales commissions, procurement and development of technologies, testing and refining
3 costs. Tens of thousands of samples of rocks and other mineral matter are submitted to assay
4 laboratories annually; only a fraction of them turn out to be ore.

5 15. At all times relevant, RESPONDENTS represented that by using AGRA's alleged
6 precious metal recovery technologies and expertise, AGRA extracted and/or was able to extract
7 approximately 1 to 13 ounces of platinum from each ton of Sheep Hill volcanic cinders.

8 16. At all times relevant, RESPONDENTS' most often projected recovery was 5 ounces
9 of platinum per ton of volcanic cinders, or 250 ounces of platinum per Unit. Using this
10 unprecedented projected recovery, RESPONDENTS repeatedly represented to offerees and
11 investors, in part, through their routine dissemination of Unit solicitation materials that investors
12 could receive "extraordinary" returns of over 700 percent, or \$70,250, on each Unit investment
13 even after the deduction of AGRA's \$10,000 per Unit processing fees.

14 17. RESPONDENTS' Unit solicitation materials failed to adequately warn that an
15 investor might not earn any of the projected profits.

16 18. RESPONDENTS' Unit solicitation materials failed to adequately disclose the risks
17 associated with the Unit investments including, but not limited to, the fact that a potential Unit
18 investor could lose all or a vast portion of their principal Unit investment amount. To the contrary,
19 in October 2005, RESPONDENTS represented to offerees and investors that any risks associated
20 with purchasing the Units were, "virtually zero," and had been "virtually eliminated." On or about
21 September 11 2006, RESPONDENTS represented that any risks associated with purchasing a Unit
22 had, "virtually disappeared at this point." Some of the purported investment risks disclosed by
23 RESPONDENTS to offerees and investors in February 2005 with respect to the Unit investments
24 were: (a) the U.S. Government could take control of AGRA and its purported precious metal
25 recovery Plant and processes because of concerns for "national security;" and (b) a cataclysmic
26 event such as a meteor strike might disrupt AGRA's purported precious metal recovery business

1 operations.

2 19. RESPONDENTS failed to disclose to offerees and investors that approximately
3 25% of each purchased Unit was paid to AGRA's general agents and securities sales persons, such
4 as PAILLE and HODGES, as sales commissions.

5 20. RESPONDENTS paid sales commissions to their general agents and securities
6 salesman, including PAILLE and HODGES, for their sale of the Unit investments approximately:
7 (a) \$629,500 in 2005; and (b) \$110,000 in 2006.

8 21. To date, AGRA has failed to provide any returns to the Unit investors. AGRA
9 originally promised to process the Unit investors' volcanic cinders within 12 months. Given
10 AGRA's failure to produce any quantities of any precious metals from the volcanic cinders on a
11 cost effective basis to date, AGRA eventually caused the Unit Contracts to be changed to state that
12 AGRA would process the cinders within 18 months and yet later, to state that they might be
13 processed them within 24 months. To date, AGRA has failed to process an of the Unit investors'
14 volcanic cinders.

15 22. At all times relevant, RESPONDENTS sold hundreds of thousands of Unit
16 investments to many investors residing in many states, including Arizona, and abroad.

17 23. From at least July 2005 to October 2006, the Unit investors' money represented
18 RESPONDENTS' primary source of cash receipts or operating capital.

19 **C. THE UNREGISTERED STOCK SECURITIES.**

20 24. From at least July 2005 to October 2006, RESPONDENTS offered and sold
21 unregistered securities in the form of stock issued by AGRA within and from Arizona. Pursuant to
22 one particular, repeated stock offer, each Unit investor was entitled to purchase 2,000 shares of
23 AGRA stock at a \$1.65 per share, or \$3,300 total, for each Unit purchased.

24 25. From July 2005 to 2006, RESPONDENTS represented to offerees and investors that
25 they expected the AGRA stock to increase in value by approximately 4,900 to 9,900 percent, or 50
26 to 100 times its original purchase price within a 3 to 5 year time frame. On November 26, 2005,

1 RESPONDENTS misrepresented to offerees and investors that:

2 There are about 50,000 shares available at this time. Everything is looking good
3 with Agra-Tech, and the stock looks like a very good way to generate a passive
4 income stream through dividends. In the 3-5 year timeframe, the stock is expected
5 to increase in value by 50 – 100 times...\$20,000 of stock purchased today would be
6 worth between \$1M to \$2M. If 10% dividends are offered, you would receive an
7 annual dividend income between \$100K and \$200K per year.

8 26. RESPONDENTS represented that they expected the stock to provide investors with
9 a substantial dividend income such that, with enough stock, the dividends generated could pay all
10 monthly living expenses. On October 31, 2005, RESPONDENTS misrepresented to offerees and
11 investors in an investor update that:

12 The Agra-Tech stock is a very good deal at \$1.65 per share and is poised for great
13 capital gains in the next few years...Assuming a 50X increase in the value of the
14 stock and 5% annual dividends, 10,000 shares of Agra-Tech Stock is estimated to
15 produce \$41,250/year of dividend income.

16 27. To date, RESPONDENTS have failed to pay any returns or dividends to the AGRA
17 stock investors. To date, the AGRA stock is not registered or traded on any known securities
18 exchange, creating a situation whereby AGRA investors do not have a market in which they can
19 sell or trade their unregistered AGRA stock investments. RESPONDENTS' stock solicitation
20 materials fail to adequately disclose the risks associated with the AGRA stock investments
21 including, but not limited to, the fact that a stock investor could lose a vast portion of their
22 principal investment amount and/or not make any of the projected profits.

23 28. To date, RESPONDENTS have offered and sold thousands of shares of unregistered
24 AGRA for tens of thousands of dollars to investors residing in several states, including Arizona,
25 and abroad.

26 **D. RESPONDENTS' DETERIORATING FINANCIAL CONDITION AND THEIR
UNREGISTERED BRIDGE LOAN/STOCK EQUITY KICKER SECURITIES.**

1. **RESPONDENTS' UNDISCLOSED DESPERATE FINANCIAL CONDITION.**

29. In the fall of 2005, RESPONDENTS began experiencing financial difficulties due,

1 in part, to:

- 2 A. AGRA's failure to extract any precious metals from the Sheep Hill volcanic
3 cinders on a cost effective basis using any processes or technologies;
- 4 B. RESPONDENTS' failure to pay their investors any returns on their investments,
5 including any principal, projected profits, stock dividends or any amount of precious
6 metals, and the investors' resulting reluctance to invest additional money in the
7 unregistered AGRA securities set forth herein; and
- 8 C. The fact that AGRA's payments of excessive securities sales commissions were
9 sufficiently onerous to further destroy any conceivable economic viability of
10 AGRA's volcanic cinder-based business operations.

11 30. In fact, RESPONDENTS' financial situation was so dire in October 2005 that they
12 began offering existing Unit investors a \$500 commission for each Unit they could sell to their
13 friends or family members, in part, as follows:

14 Through Agra-Tech we would like to extend a \$500 commission or referral fee for
15 each new \$10,000 Ore Mining Unit you bring into Agra-Tech. Yes, this means that
16 you will receive \$500 US for each new unit you sell. This offer is good from this
17 date, October 7, 2005, forward and doesn't cover anything in the past. So get out
18 there and make yourself some extra money and also help Agra-Tech get into
19 production sooner. Getting into production sooner also means payouts will also
20 happen sooner. If you need help with the sale (contracts, sales, material, personal
21 support, etc.) we [HODGES & PAILLE] will be glad to work with you.

22 31. Thus, at all times relevant, and unbeknownst to actual or potential AGRA investors,
23 RESPONDENTS' frequently described their money problems amongst themselves as follows:

- 24 A. In an April 18, 2006 e-mail to AGRA officers and directors, PAILLE stated his
25 concerned belief that RESPONDENTS', "cash flow issues are hindering plant
26 ramp-up," and that if RESPONDENTS did not "get [investor] funds from
somewhere soon," AGRA investors would become more restless and PAILLE's
ability to sell additional AGRA securities to them would "come to a grinding halt."
PAILLE added that he was "very concerned" about his own AGRA investments due

1 to the investor "cash flow related issues" that could "make already nervous investors
2 go into orbit."

3 B. In an April 21, 2006 e-mail to PAILLE, an AGRA officer and director admitted that
4 RESPONDENTS were investor "cash poor."

5 C. In an April 25, 2006 e-mail to an AGRA officer and director, HODGES stated that
6 although he understood that RESPONDENTS were in an investor "money crunch,"
7 he desired to know why he had not yet received a scheduled return on one of his
8 AGRA investments. Due to a lack of returns to AGRA investors, HODGES also
9 noted that, "I know a few investors that are talking about going to the Arizona
10 Attorney General and as you well know this would be super bad."

11 D. In a May 6, 2006 e-mail to AGRA officers and directors, PAILLE acknowledged
12 the fact that RESPONDENTS needed investor money "NOW!," and that the Unit
13 contract investors were unhappy with the lack of returns on their investments.
14 PAILLE also stated that "getting funds rolling in," was "time critical issue."

15 E. In a June 15, 2006 e-mail to PAILLE, an AGRA officer and director acknowledged
16 that RESPONDENTS "badly" needed investor money and that he somehow needed
17 to, "replenish the cash tank."

18 F. On or about July 11, 2006, HODGES noted in an e-mail to PAILLE that the money
19 they obtained for the sale of a block of AGRA shares, "will only slow down the
20 [financial] bleeding but won't keep me from going down with the ship."

21 G. In April and June of 2006, PAILLE sent e-mails to an AGRA officer and director
22 noting that an AGRA investor had not been paid her promised monthly profits for at
23 least 2 months, and inquired about the status of RESPONDENTS' "funding issues."
24 PAILLE added that, "word is getting out that Agra-Tech is in serious trouble," that
25 he was willing to allow RESPONDENTS to use \$264,000 of his AGRA investment
26 money "for operating expenses."

1 H. In a September 20, 2006 e-mail to PAILLE, an AGRA officer and director
2 acknowledged RESPONDENTS' so-called "scramble for the money."

3 I. In an October 8, 2006 e-mail to an existing AGRA investor, PAILLE stated, "What
4 ATI needs right now is bridge loan funds, but I suspect you are tapped out."

5 J. In a July 14, 2006 letter to HODGES, an AGRA officer and director stated that, "As
6 you know, we have been short of working capital for several months."

7 **2. THE UNREGISTERED BRIDGE LOAN SECURITIES.**

8 32. Due in part to their undisclosed deteriorating financial condition, RESPONDENTS
9 offered and sold unregistered, and unsecured "bridge loan" investments within and from Arizona
10 from at least the fall of 2005 to approximately October 2006 (the "Bridge Loan Investments").

11 33. The terms and conditions of the Bridge Loan Investments varied according to
12 RESPONDENTS' need for operating capital/investor money. For instance and, without limitation,
13 RESPONDENTS' offered the following Bridge Loan investment packages:

14 A. Pursuant a September 7, 2006 offer, AGRA would pay the investor 10%
15 annual interest on the minimum of a \$100,000 investment amount for a minimum of
16 90 days, plus one common share of AGRA stock for each dollar of the investment.

17 B. Pursuant to a July 10, 2006 offer, AGRA would pay the investor 9% annual
18 interest with the term of the investment being 90 days for less than \$100,000
19 investment, or 180 days for \$100,000 and up. In addition to the interest, AGRA
20 would pay the investor one share for every two dollars invested. In lieu of 9%
21 interest payments, AGRA would pay the investor an additional 20% in AGRA
22 stock, "EX: \$50,000 loan / 0% / 30,000 shares." If the investor in this type of
23 Bridge Loan investment invested \$50,000 for a term of 90 days, and the investor
24 elected to take additional AGRA stock in lieu of 9% interest, he or she would only
25 pay \$.04 for each of their 30,000 shares of stock.

26 34. In one instance, an investor invested \$10,000 in a 90 day Bridge Loan Investment

1 for 20,000 shares of AGRA stock with no interest. Thus, this investor effectively paid only \$.02
2 for each share of AGRA stock. This lower price for AGRA stock to Bridge Loan investors further
3 demonstrates RESPONDENTS' extremely desperate need for operating capital.

4 35. RESPONDENTS' Bridge Loan Investment solicitation materials fail to adequately
5 disclose to offerees and investors that AGRA has not, to date, paid any dividends or other returns
6 to their AGRA stock investors.

7 36. RESPONDENTS' Bridge Loan investment offering materials fail to adequately
8 disclose to offerees and investors of any risks associated with the Bridge Loan Investments
9 including, but not limited to, the fact that a potential Bridge Loan investor could lose a vast portion
10 of their principal Bridge Loan Investment and/or not make any profits, especially if they chose the
11 equity option.

12 37. RESPONDENTS have offered and sold tens of thousands of dollars of the Bridge
13 Loan investments to many investors.

14 **E. MISREPRESENTATIONS AND OMISSIONS REGARDING AGRA'S ALLEGED**
15 **ABILITY TO EXTRACT MARKETABLE QUANTITIES OF PRECIOUS METALS**
16 **FROM THE VOLCANIC CINDERS ON A COST EFFECTIVE BASIS.**

17 38. From at least July 2005 to October 2006, RESPONDENTS' Unit offering materials
18 included pictures of platinum bars. RESPONDENTS have also shown offerees and investors during
19 AGRA Plant tours assay results that reflect the purported fact that the volcanic cinders contain
20 platinum that can be extracted from the volcanic cinders on a cost effective basis. RESPONDENTS
21 also showed offerees and investors during AGRA Plant tours filters used during their precious metals
22 recovery process that allegedly contained precious metal extracted from the volcanic cinders.

23 39. Unbeknownst to offerees and investors, the platinum bars displayed in the Unit
24 offering materials were not created from platinum extracted by AGRA from the Sheep Hill volcanic
25 cinders. Similarly, the positive assay results and purported platinum containing filters were not
26 derived from platinum or other precious metals extracted from the volcanic cinders. Rather, the

1 platinum bars displayed in the Unit offering materials were purchased, leased or borrowed from third
2 parties. Furthermore, the positive assay results and the purported precious metal contained in the
3 filters resulted from in-quart precious metal material artificially placed by AGRA in batches wet or
4 acid processed cinders (i.e., Galleon process, etc.).

5 40. Despite RESPONDENTS' representations to offerees and investors to the contrary,
6 volcanic cinders located in Arizona have a low unit value and are not known to contain precious
7 metals in quantities above their average crustal abundance. For instance, platinum is an extremely
8 rare metal, occurring as only 5 ppb (parts per billion) in the Earth's crust. In the southwest United
9 States in particular, volcanic cinders are mostly used as lightweight aggregate to create cinder
10 blocks. In northern Arizona in particular, volcanic cinders are primarily used for road surfaces
11 and/or land fill material.

12 41. The only original producer of platinum and related platinum group metals, such as
13 palladium, in the United States is the Stillwater Mining Company in Montana. The only other
14 major, original producers of platinum in the world are found in South America and Russia. These
15 producers of platinum and platinum group metals use a smelting process and high grade platinum
16 ore, as opposed to the various technologies/processes applied by RESPONDENTS to the Sheep
17 Hill volcanic cinders. Volcanic cinders and alleged special mining technologies have formed the
18 basis for several mining scams based on allegations that platinum, gold and silver can be
19 economically extracted from volcanic cinders.

20 1. **THE SO-CALLED GALLEON PROCESS.**

21 42. Unbeknownst to AGRA investors, the Galleon process not only proved ineffective
22 at extracting any precious metals from the Sheep Hill volcanic cinders, but AGRA was actually
23 unable to retrieve all of their in-quarted platinum; platinum artificially added to batches of Galleon
24 processed cinders, resulting in a net loss of the platinum.

25 43. Contrary to the myriad of representations set forth in the Unit solicitation materials,
26 an AGRA officer and director admitted in a February 3, 2006 letter to PAILLE and HODGES, and

1 again on April 20, 2005 with respect to the so-called Galleon process that, "we bought an immature
2 technology...We did not know what we would be capable of producing, and we still don't...Will
3 we produce pt [platinum] at levels meeting everyone's expectations, I seriously doubt it, but I
4 cannot say for certain."

5 44. On June 30, 2006, a former AGRA officer and director filed a verified civil
6 complaint against AGRA in Maricopa County Superior Court, CV2006-009755 (the "CAMPBELL
7 Lawsuit"). Among other things, the CAMPBELL Lawsuit includes a claim against AGRA for
8 securities fraud based in part on the allegation that the Galleon technology with which
9 RESPONDENTS used to sell the majority of the AGRA Units and stock, "is ineffective to recover
10 platinum from volcanic cinders."

11 45. RESPONDENTS failed to timely inform the AGRA investors that the former
12 officer and director had filed suit against AGRA for securities fraud. Rather, at all times relevant,
13 they merely informed investors of AGRA's counterclaims against the former AGRA officer and
14 director. On this point, an AGRA officer and director admitted in a July 14, 2006 letter to
15 HODGES that the former AGRA officer and director had, "left the Company, under less than
16 favorable circumstances" and that, "I can not [sic] provide you with any other details at this time,
17 and I would ask that you consider with whom and how you share this information. I am not
18 seeking to make this public information..."

19 46. RESPONDENTS also did not actually expressly inform their investors in writing
20 that the Galleon process did not work, and could never work as expressly acknowledged by a
21 former AGRA officer and director. Rather, they skirted the issue, and merely informed the AGRA
22 investors via an Investor Update in July 2005 that the Galleon process had been put on the back
23 burner, conceivably for use and development at a later date.

24 47. Thus, HODGES and PAILLE continued to issue to offerees and investors the
25 standard form Unit solicitation, 2-pocket glossy brochures titled "Precious Metal Recovery Project,
26 2003" and "Company Investment Profile, 2002," which unambiguously stated that the Galleon

1 process enabled AGRA to obtain precious metals from the volcanic cinders on a cost effective
2 basis until the Commission's original October 18, 2006 Temporary Order to Cease and Desist.

3 **2. THE SO-CALLED KMH PROCESS.**

4 48. RESPONDENTS abandoned the admittedly failed Galleon process in 2005.
5 Thereafter, and in an effort to collect additional money from existing or new investors,
6 RESPONDENTS represented to offerees and investors that AGRA had developed or acquired
7 other precious metal recovery technologies (sometimes referred to as the, "Purported
8 Technologies"). The Purported Technologies included, without limitation, a low temperature
9 fusion (LTF) version of a Gill-Was process and a KMH (Kalahari Mining Holdings) process.

10 49. AGRA primarily focused its efforts on the KMH process after the failure of the
11 Galleon process. RESPONDENTS represented that by using the KMH process, AGRA could
12 extract marketable quantities of not only platinum from the cinders, but gold and silver as well.
13 Without limitation, RESPONDENTS misrepresented to offerees and investors on or about October
14 2, 2005 that:

15 This is where the excitement begins!!! Since day one, platinum has been the focus
16 with the Galleon process, but since Agra-Tech has changed over to the new KMH
17 process, they have been able to get gold and silver from the same ore. With the
18 KMH process, Agra-Tech was initially able to extract platinum at about the same
level as the Galleon process but then realized that by running a few more process
steps, they were able to not only get platinum, but also gold and silver.

19 50. Without limitation, RESPONDENTS represented to offerees and investors on or
20 about October 6, 2005, that, "Agra-Tech has the KMH process currently working incredibly well in
21 6 ton batches. The most astonishing part is they are now able to extract more than just Platinum.
22 How about Gold, Silver and Platinum!!!"

23 51. Approximately 9 months after representing the viability of the KMH process,
24 RESPONDENTS admitted to offerees and investors on or about July 14, 2006 that, "[t]est work
25 was done with this process, but the end result was that it did not live up to the claims made by
26 KMH and that process also had to be scrapped."

1 52. Unbeknownst to RESPONDENTS' investors for many months, AGRA filed a
2 lawsuit against KMH on February 28, 2006 in Coconino County, Arizona Superior Court, in part,
3 for fraud and negligent misrepresentation. *See, Agra v. Kalahari Mineral Holdings, Ltd.*, Coconino
4 County Superior Court, CV2006-0140 (hereafter, "*Agra v. KMH*").

5 **3. AGRA'S OTHER PURPORTED PRECIOUS METAL GENERATING**
6 **TECHNOLOGIES.**

7 53. At all times relevant, RESPONDENTS issued thousands of investment solicitations,
8 often contained in "Investor Updates," to offerees and investors. These Investor Updates contained
9 misleading representations, as noted in part above, that AGRA had extracted, or was on the verge
10 of extracting, marketable quantities of precious metals, on a cost effective basis, from the volcanic
11 cinders using the Purported Technologies.

12 54. Most recently, RESPONDENTS represented to offerees and investors that AGRA is
13 currently developing three processes to extract precious metals from the volcanic cinders including:
14 (a) an Extended Chemical Leach process with a 45 day reaction time, requiring no precious metal
15 in-quart, that allegedly produces several ounces of platinum per ton of volcanic cinders, plus gold
16 and silver on small scale production runs; (b) an AJ process named after Alvin Johnson that
17 requires platinum in-quart and allegedly produces several ounces of platinum per ton of volcanic
18 cinders; and (c) a process in which a 3rd party uses a furnace in an attempt to extract platinum from
19 a batch of AGRA wet-processed volcanic cinders.

20 55. Pursuant to scientific and industry accepted precious metal mining and recovery
21 customs and standards, RESPONDENTS cannot extract marketable quantities of any precious
22 metals from the Sheep Hill volcanic cinders on a cost effective basis.

23 56. To date, AGRA has not processed any of the volcanic cinders purchased by any of
24 the Unit investors. To date, AGRA has not charged the Unit investors any money for processing
25 their volcanic cinders.

26 57. To date, AGRA has not extracted any marketable quantities of platinum or other

1 precious metals, such as gold and silver, from the Sheep Hill volcanic cinders using any precious
2 metal recovery technology or expertise.

3 58. To date, AGRA has not generated a profit from the production and sale of any
4 precious metals extracted from the Sheep Hill volcanic cinders.

5 59. To date, AGRA has not paid any money to the Unit, stock, Bridge Loan or Platinum
6 Rental Agreement investors generated from the production and/or sale of precious metals extracted
7 from the Sheep Hill volcanic cinders.

8 60. To date, RESPONDENTS have not provided any actual precious metals, such as
9 platinum, gold or silver, to their investors that were extracted by AGRA from the Sheep Hill
10 volcanic cinders.

11 61. From July 2005 to the present, RESPONDENTS' primary source of operating
12 capital has been investor money.

13 **G. PAILLE AND HODGES GENERAL AGENT AND SECURITY SALESMAN**
14 **DUTIES.**

15 62. From July 2005 to the present, HODGES, as an authorized AGRA general agent
16 and securities salesman, regularly:

- 17 A. Offered and sold AGRA Units and stock securities within and from Arizona on
18 behalf of AGRA.
- 19 B. Accepted possession of AGRA investor money, and forwarded the same to AGRA.
- 20 C. Assisted investors with the completion of their AGRA investment documents.
- 21 D. Prepared and maintained detailed databases and master files of all AGRA
22 investments and AGRA investor information on behalf of AGRA, including hard
23 copy and e-mail communications to and from investors, generated both before July
24 2005 and thereafter.
- 25 E. Forwarded completed investor subscription or investment materials to AGRA.
- 26 F. Arranged face-to-face investor meetings with AGRA officers and directors and

- 1 tours of the AGRA Plant, including the arrangement of special local hotel discounts;
- 2 G. Communicated with AGRA's officers, directors and employees and visited the
- 3 AGRA Plant and facilities to obtain financial, investment and AGRA Plant status
- 4 and precious metal recovery information for use in the offer and sale of AGRA
- 5 securities;
- 6 H. Drafted and distributed to offerees and investors investor updates and solicitation
- 7 materials (the, "AGRA Investor Updates") on behalf of AGRA, on an almost
- 8 monthly basis, via U.S. mail and e-mail, that included: (1) purported AGRA
- 9 precious metal recovery and institutional investor status information; (2) purported
- 10 precious metal yield and investor profit projections, often in detailed, spreadsheet
- 11 form; (3) investor notices; (4) projected investment payout dates; (5) question and
- 12 answer sections relating to the majority of material AGRA business and investor
- 13 issues; (6) updates on the status of AGRA's acquisition and development of
- 14 purported precious metal recovery processes and technologies; (6) shareholder
- 15 meetings; and (7) current AGRA investment prices and opportunities.
- 16 I. Observed AGRA attempt to obtain precious metals from the volcanic cinders at the
- 17 AGRA Plant to report such work to AGRA investors on behalf of AGRA.
- 18 J. Answered and responded to AGRA investor questions and concerns.
- 19 K. Communicated investor questions and concerns to AGRA.

20 63. From July 2005 to the present, PAILLE, as an authorized AGRA general agent and

21 securities salesman, regularly:

- 22 A. Offered and sold AGRA Units, stock, and Bridge Loan securities within and from
- 23 Arizona on behalf of AGRA.
- 24 B. Accepted possession of AGRA investor money, and forwarded the same to AGRA.
- 25 C. Assisted investors with the completion of their AGRA investment documents.
- 26 D. Prepared and maintained detailed databases and master files of all AGRA

1 investments and AGRA investor information on behalf of AGRA, including hard
2 copy and e-mail communications to and from investors, generated both before July
3 2005 and thereafter.

4 E. Forwarded completed investor subscription or investment materials to AGRA.

5 F. Arranged face-to-face investor meetings with AGRA officers and directors and
6 tours of the AGRA Plant, including the arrangement of special local hotel discounts;

7 G. Communicated with AGRA's officers, directors and employees and visited the
8 AGRA Plant and facilities to obtain financial, investment and AGRA Plant status
9 and precious metal recovery information for use in the offer and sale of AGRA
10 securities;

11 H. Drafted and distributed to offerees and investors investor updates and solicitation
12 materials (the, "AGRA Investor Updates") on behalf of AGRA, on an almost
13 monthly basis, via U.S. mail and e-mail, that included: (1) purported AGRA
14 precious metal recovery and institutional investor status information; (2) purported
15 precious metal yield and investor profit projections, often in detailed, spreadsheet
16 form; (3) investor notices; (4) projected investment payout dates; (5) question and
17 answer sections relating to the majority of material AGRA business and investor
18 issues; (6) updates on the status of AGRA's acquisition and development of
19 purported precious metal recovery processes and technologies; (6) shareholder
20 meetings; and (7) current AGRA investment prices and opportunities.

21 I. Observed AGRA attempt to obtain precious metals from the volcanic cinders at the
22 AGRA Plant to report such work to AGRA investors on behalf of AGRA.

23 J. Answered and responded to AGRA investor questions and concerns.

24 K. Communicated investor questions and concerns to AGRA.

25 64. For purposes of this Order, the actions and conduct of HODGES and PAILLE are
26 tantamount to the actions and conduct of AGRA. All of HODGES' and PAILLE's general agent

1 and securities salesman duties set forth herein were carried out with AGRA's full knowledge and
2 consent, and AGRA expressly ratified the same. AGRA investors felt that communicating and
3 dealing with HODGES and PAILLE was tantamount to communicating and dealing with AGRA
4 itself. AGRA's officers and directors approved and commented on all of the AGRA Investor
5 Updates and AGRA investment solicitation materials routinely issued to offerees and investors by
6 HODGES and PAILLE on behalf of AGRA.

7 65. HODGES' and PAILLE's general agent and securities salesman duties and
8 responsibilities were documented by RESPONDENTS in written contracts, and by their ratified
9 conduct as set forth herein. AGRA's officers and directors routinely commented on how
10 excellently HODGES and PAILLE carried out their AGRA general agent and securities salesman
11 responsibilities on behalf of AGRA.

12 **H. HODGES' AND PAILLE'S SALES COMMISSIONS AND COMPENSATION, AND**
13 **THEIR OWN AGRA INVESTMENTS.**

14 **1. HODGES' AND PAILLE'S GENERAL AGENT AND SECURITIES**
15 **SALESMAN COMMISSIONS AND COMPENSATION.**

16 66. HODGES and PAILLE each received \$125,125 in commissions for their sale of
17 AGRA Units.

18 67. HODGES and PAILLE each received \$135,988.79 in commissions for selling
19 AGRA stock personally owned and held by AGRA founders, officers and directors.

20 68. HODGES received \$11,000 in commissions for locating Unit investors for the
21 previous AGRA general agent and securities salesman. PAILLE received \$26,500 in commissions
22 for locating Unit investors for the previous AGRA general agent and securities salesman.

23 69. Based on the foregoing, HODGES earned compensation for his AGRA general
24 agent and securities salesman work discussed above totaling \$272,113.79 ("HODGES'
25 Compensation").

26 70. Based on the foregoing, PAILLE earned compensation for his AGRA general agent
and securities salesman work discussed above totaling \$287,613.79 ("PAILLE's Compensation").

1 **2. HODGES' AND PAILLES' OWN PERSONAL AGRA INVESMENTS**
2 **AND LOANS.**

3 71. HODGES and PAILLE began their relationship with AGRA as individual investors
4 from 2003 to 2005. When the previous AGRA general agent and securities salesman died, AGRA
5 asked HODGES and PAILLE to completely take over and expand on his general agent and
6 securities. They did, as discussed above.

7 72. HODGES paid \$370,000 for 37 Agra Units. PAILLE paid \$200,000 for 20 AGRA
8 Units.

9 73. HODGES paid \$66,000 for 40,000 shares of AGRA stock. PAILLE paid \$39,600
10 for 24,000 shares of AGRA stock.

11 74. PAILLE paid \$264,000 for a Platinum Rental Agreement investment. AGRA has
12 repaid PAILLE a total of \$52,905.60 on this investment, which leaves a balance for this investment
13 for the purposes of this ORDER of \$211,094.40.

14 75. HODGES loaned AGRA \$395,000 because of AGRA's deteriorating financial
15 condition discussed above. AGRA has repaid HODGES a total of \$11,601.24 on this loan, which
16 leaves a balance for this loan for the purposes of this ORDER of \$383,398.76.

17 76. PAILLE loaned AGRA \$40,000 because of AGRA's deteriorating financial
18 condition discussed above. AGRA has repaid PAILLE \$20,000 on this loan, leaving a balance for
19 the purposes of this ORDER of \$20,000.

20 77. Based on the foregoing, HODGES' personal, out-of-pocket AGRA investments, and
21 outstanding loan to AGRA total \$819,398.76 ("HODGES' Investments").

22 78 Based on the foregoing, PAILLE's personal AGRA investments and outstanding
23 loan to AGRA total \$470,694.40 ("PAILLE's Investments").

24 **II.**

25 **CONCLUSIONS OF LAW**

26 1. The Commission has jurisdiction over this matter pursuant to Article XV of the

1 Arizona Constitution and the Securities Act.

2 2. HODGES and PAILLE offered or sold securities within or from Arizona, within the
3 meaning of A.R.S. §§ 44-1801.

4 3. HODGES and PAILLE violated A.R.S. § 44-1841 by offering or selling securities
5 that were neither registered nor exempt from registration.

6 4. HODGES and PAILLE violated A.R.S. § 44-1842 by offering or selling securities
7 while neither registered as dealers or salesmen nor exempt from registration.

8 5. From July 2005 to October 2006, HODGES and PAILLE violated A.R.S. § 44-
9 1991 by: (a) employing a device, scheme or artifice to defraud; (b) making untrue statements or
10 misleading omissions of material facts; and (c) engaging in transactions, practices or courses of
11 business which operated as a fraud or deceit. HODGES' and PAILLE's conduct during this time
12 frame included the following:

13 A. Failing to adequately disclose to offerees and investors that AGRA's primary source of
14 cash receipts or operating capital was investor money, rather than the sale of any precious
15 metals extracted from the Sheep Hill volcanic cinders.

16 B. Failing to disclose to offerees and investors that AGRA's precious metal recovery
17 business had not generated a profit from the sale of precious metals extracted from the
18 Sheep Hill volcanic cinders.

19 C. Failing to disclose to offerees and investors that the platinum bars displayed in Unit
20 offering materials, the platinum reflected in the positive assay results, and the platinum
21 residue in the process filters, were not the result of platinum, or any other precious
22 metals, that had been extracted by AGRA from the Sheep Hill volcanic cinders.

23 D. Failing to disclose to offerees and investors that 25% of each purchased Unit, or \$2,500,
24 was paid to AGRA's authorized generalized agents and securities salespersons, such as
25 HODGES and PAILLE, as sales commissions.

26 E. Failing to disclose to offerees and investors that AGRA was running out of money from at

1 least the fall of 2005 to October 2006 and that, as a result, AGRA's purported precious
2 metal recovery business was on the verge of shutting down.

3 F. Failing to timely disclose to offerees and investors that AGRA filed suit against KMH for
4 fraud and negligent misrepresentation in February 2006.

5 G. Failing to adequately disclose to offerees and investors any risks associated with the
6 purchase of the AGRA Units, stock, and/or Bridge Loan investments including the fact
7 that: (a) no person or entity has ever produced marketable quantities of precious metals
8 from volcanic cinders using any processes or technology; and (b) that an investor could
9 lose all or a large portion of their AGRA investments.

10 H. Misrepresenting to offerees and investors that the Sheep Hill volcanic cinders purportedly
11 owned by AGRA contained marketable quantities of platinum and other precious metals,
12 such as gold and silver, that can be extracted on a cost effective basis.

13 I. Misrepresenting to offerees and investors that AGRA had extracted, or was on the verge of
14 being able to extract platinum and other precious metals, such as gold and silver, from the
15 volcanic cinders using its purported precious metal recovery technologies and expertise.

16 J. Misrepresenting to offerees and investors that the so-called Galleon and KMH processes
17 enabled RESPONDENTS to obtain marketable quantities of platinum, gold and silver
18 from the Sheep Hill volcanic cinders on a cost effective basis in part, in light of the fact
19 that RESPONDENTS now expressly admit that such processes do not work.

20 K. Misrepresenting to offerees and investors that the Sheep Hill volcanic cinders constituted
21 "ore," despite the fact that the cinders do not contain any marketable amounts of any
22 precious metals, or any other minerals that can be extracted from the cinders for a profit,
23 and because such cinders are primarily used as source material for cinder blocks,
24 inexpensive road cover, landscaping and land fill material.

25 L. Misrepresenting to offerees and investors that they could make substantial profits by
26 purchasing one or more of the AGRA securities.

6. HODGES' and PAILLE'S conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. RESPONDENT HODGES' and PAILLE's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. RESPONDENT HODGES' and PAILLE's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and HODGES' and PAILLE's consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that HODGES and PAILLE, and any of their agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act. HODGES and PAILLE shall not sell any securities in or from Arizona without being registered in Arizona as dealers or salesmen, or exempt from such registration. HODGES and PAILLE shall not sell securities in or from Arizona unless the securities are registered in Arizona or exempt from registration.

IT IS FURTHER ORDERED that HODGES and PAILLE will comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that HODGES shall pay restitution to the Commission, under Docket No. S-20484A-06-0669, in the amount of \$272,113.79. Payment shall be made in full on the date of this Order. Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Commission. The Commission shall disburse the funds on a pro

1 rata basis to investors shown on the records of the Commission. Any restitution funds that the
2 Commission cannot disburse because an investor refuses to accept such payment shall be disbursed
3 on a pro-rata basis to the remaining investors shown on the records of the Commission. Any funds
4 that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to
5 the general fund of the state of Arizona.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that PAILLE shall pay
7 restitution to the Commission, under Docket No. S-20484A-06-0669, in the amount of
8 \$287,613.79. Payment shall be made in full on the date of this Order. Any amount outstanding
9 shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full.
10 Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account
11 maintained and controlled by the Commission. The Commission shall disburse the funds on a pro
12 rata basis to investors shown on the records of the Commission. Any restitution funds that the
13 Commission cannot disburse because an investor refuses to accept such payment shall be disbursed
14 on a pro-rata basis to the remaining investors shown on the records of the Commission. Any funds
15 that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to
16 the general fund of the state of Arizona.

17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that HODGES shall, under
18 Docket No. S-20484A-06-0669, pay an administrative penalty in the amount of \$50,000. Any
19 amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order
20 until paid in full. The payment obligations for these administrative penalties shall be subordinate
21 to any restitution obligations ordered herein and shall become immediately due and payable only
22 after restitution payments have been paid in full or upon HODGES' default with respect of
23 HODGES' restitution obligations.

24 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that PAILLE shall, under
25 Docket No. S-20484A-06-0669, pay an administrative penalty in the amount of \$50,000. Any
26 amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order

1 until paid in full. The payment obligations for these administrative penalties shall be subordinate
2 to any restitution obligations ordered herein and shall become immediately due and payable only
3 after restitution payments have been paid in full or upon PAILLE's default with respect of
4 PAILLE's restitution obligations.

5 IT IS FURTHER ORDERED that HODGES will not be added to the pro rata restitution list
6 in the amount of his HODGES' Investments of \$819,398.76 until all persons and entities shown on
7 the restitution list maintained by the Commission have been repaid all their AGRA investments as
8 provided herein, and HODGES pays his restitution and administrative penalty amounts and related
9 interest set forth herein.

10 IT IS FURTHER ORDERED that PAILLE will not be added to the pro rata restitution list
11 in the amount of his PAILLE's Investments of \$470,694.40 until all persons and entities shown on
12 the restitution list maintained by the Commission have been repaid all their AGRA investments as
13 provided herein, and PAILLE pays his restitution and administrative penalty amounts and related
14 interest set forth herein.

15 For purposes of this Order, a bankruptcy filing by HODGES or PAILLE shall be an act of
16 default. If HODGES or PAILLE do not comply with this Order, any outstanding balance may be
17 deemed in default and shall be immediately due and payable.

18 IT IS FURTHER ORDERED, that if HODGES or PAILLE fail to comply with this order,
19 the Commission may bring further legal proceedings against HODGES or PAILLE, including
20 application to the superior court for an order of contempt.

21 ...

22 ...

23 ...

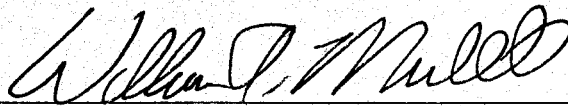
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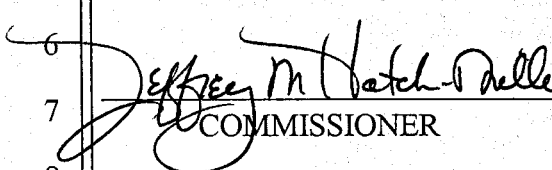
IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN

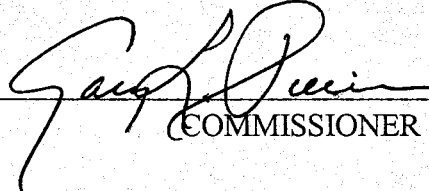
COMMISSIONER



COMMISSIONER

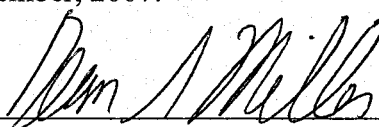


COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 6th day of September, 2007.



DEAN S. MILLER

Interim Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.

(JMD)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent JERRY JOHNSTON HODGES (hereafter, "HODGES") and
3 Respondent LAWRENCE KEVIN PAILLE (a/k/a LARRY PAILLE) (hereafter, "PAILLE") admit
4 the jurisdiction of the Arizona Corporation Commission (the, "Commission") over the subject
5 matter of this proceeding. HODGES and PAILLE acknowledge that they have been fully advised
6 of their rights to a hearing to present evidence and call witnesses and HODGES and PAILLE
7 knowingly and voluntarily waive any and all rights to a hearing before the Commission and all
8 other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
9 Administrative Code. HODGES and PAILLE acknowledge that this Order to Cease and Desist,
10 Order of Restitution, Order for Administrative Penalties, Order for Other Affirmative Relief and
11 Consent to Same ("Order") constitutes a valid final order of the Commission.

12 2. HODGES and PAILLE knowingly and voluntarily waive any right under Article 12
13 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
14 resulting from the entry of this Order.

15 3. HODGES and PAILLE acknowledge and agree that this Order is entered into freely
16 and voluntarily and that no promise was made or coercion used to induce such entry.

17 4. HODGES and PAILLE acknowledge that at all times relevant they have been
18 represented by an attorney in this matter, Geoffrey S. Kerckmar, Esq. of The Kerckmar Law Firm,
19 P.C., they have reviewed this Order with their attorney, and understand all terms it contains.

20 5. HODGES and PAILLE neither admit nor deny the Findings of Fact and
21 Conclusions of Law contained in this Order.

22 6. By consenting to the entry of this Order, HODGES and PAILLE agree not to take
23 any action or to make, or permit to be made, any public statement denying, directly or indirectly,
24 any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order
25 is without factual basis. HODGES and PAILLE will undertake steps necessary to assure that all of
26 their agents and employees understand and comply with this agreement.

1 7. While this Order settles this administrative matter between HODGES, PAILLE and
2 the Commission, HODGES and PAILLE understand that this Order does not preclude the
3 Commission from instituting other administrative or civil proceedings based on violations that are
4 not addressed by this Order.

5 8. HODGES and PAILLE understand that this Order does not preclude the
6 Commission from referring this matter to any governmental agency or entity for administrative,
7 civil, or criminal proceedings that may be related to the matters addressed by this Order.

8 9. HODGES and PAILLE understand that this Order does not preclude any other
9 agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil, or
10 criminal proceedings that may be related to any matters addressed by this Order.

11 10. HODGES and PAILLE agrees that they will not apply to the state of Arizona for
12 registration as a securities dealer or salesman or for licensure as an investment adviser or
13 investment adviser representative for at least two (2) years from the entry of this Order and until
14 such time as each of them have complied with all terms and conditions of this Order.

15 11. HODGES and PAILLE agree that they will not exercise any control over any entity
16 that offers or sells securities or provides investment advisory services within or from Arizona until
17 such time as each of them have complied with all terms and conditions of this Order including,
18 without limitation, the payment in full of all Restitution and Administration Penalty amounts, and
19 any applicable annual interest set forth in this Order.

20 12. HODGES and PAILLE agree that they will not sell any securities in or from
21 Arizona without being properly registered in Arizona as a dealer or salesman, or exempt from such
22 registration; they will not sell any securities in or from Arizona unless the securities are registered
23 in Arizona or exempt from registration; and they will not transact business in Arizona as an
24 investment adviser or an investment adviser representative unless properly licensed in Arizona or
25 exempt from licensure.

26 13. HODGES and PAILLE agree that they will continue to cooperate with the

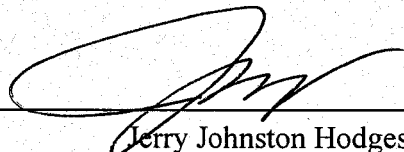
Securities Division throughout the conclusion of this matter.

14. HODGES and PAILLE consent to the entry of this Order and agree to be fully bound by its terms and conditions.

15. HODGES and PAILLE acknowledge and understand that if they fail to comply with the provisions of the Order and this Consent, the Commission may bring further legal proceedings against them, including, without limitation, application to the superior court for an order of contempt.

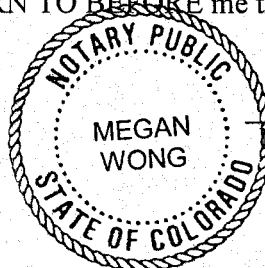
16. HODGES and PAILLE understand that default shall render them liable to the Commission for its costs of collection and interest at the maximum legal rate.

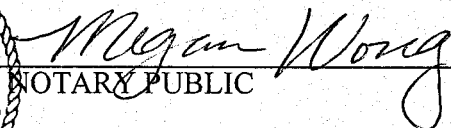
17. HODGES and PAILLE agree and understand that if either of them fails to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. HODGES and PAILLE agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by Commission.


Jerry Johnston Hodges

STATE OF ^{Colorado} ~~ARIZONA~~)
 ^{Boulder}) ss
County of ~~Maricopa~~)

SUBSCRIBED AND SWORN TO BEFORE me this 20 day of August, 2007.




NOTARY PUBLIC

My Commission Expires:

July 25, 2010

My Comm. Expires July 25, 2010

Lawrence K Paille
Lawrence Kevin Paille (a/k/a Larry Paille)

STATE OF ARIZONA)
) ss
County of Maricopa)

SUBSCRIBED AND SWORN TO BEFORE me this 16th day of August, 2007.

Carrie I Bachrach
NOTARY PUBLIC

My Commission Expires:

June 26, 2010

